

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGR-05 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

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FM USMISSION EC BRUSSELS

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E.O. 11652\* N/A

TAGS ETRD, EAGR,MTN, EC

SUBJECT: EC TROPICAL PRODUCTS PROPOSAL: COREPER OUTLINES OUT-  
STANDING ISSUES AND WORK PROGRAM

REF: (A) EC BRUSSELS 1092, (B) EC BRUSSELS 809, (C) EC BRUSSELS 728

1. BEGIN SUMMARY: THE COMMITTEE OF PERMANENT REPRESENTATIVES HAS  
DECIDED TO PUT OFF ANY SUBSTANTIVE COUNCIL DISCUSSION OF THE EC  
TROPICAL PRODUCTS OFFER UNTIL MARCH 1-2. INTENSIVE MEMBER STATE  
NEGOTIATIONS WILL BE REQUIRED ON THREE MAIN AREAS: (1) THE  
INCLUSION OF ONAGRICULTURAL PRODUCTS; (2) REDUCTION OF INTERNAL  
TAXES; AND (3) PROCEDURES TO CONSULT WITH THE ACP COUNTRIES.  
A SERIES OF MEETINGS HAVE BEEN SCHEDULED TO MOVE AHEAD  
WITH THESE NEGOTIATIONS. END SUMMARY.

2. COREPER DELAYS SUBSTANTIVE DISCUSSIONS: EC PERMDEL OFFICIALS  
TELL US THAT THE COMMITTEE OF PERMANENT REPRESENTATIVES (COREPER)  
DECIDED ON FEBRUARY 5 TO SEND A STATUS REPORT ON THE COMMISSION'S  
TROPICAL PRODUCTS PROPOSAL TO THE FEBRUARY 9 COUNCIL MEETING.  
COREPER DECIDED THAT THE 113 COMMITTEE DISCUSSIONS HAD NOT  
PROCEEDED FAR ENOUGH TO HAVE A COMPREHENSIVE COUNCIL DISCUSSION  
AT THIS TIME. THE COREPER, INSTEAD, HOPES TO HAVE AN AGREED POSITION  
TO PROPOSE TO THE MARCH 1-2 COUNCIL MEETING. COREPER HAS ORGANIZED  
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THE FOLLOWING MEETING SCHEDULE TO CONSIDER THE PROPOSAL:

FEBRUARY , 113 DEPUTIES' MEETING; FEBRUARY 10, SPECIAL COREPER MEETING; FEBRUARY 20, HIGH-LEVEL 113 COMMITTEE MEETING; FEBRUARY 26, COREPER PREPARATION FOR COUNCIL DECISION; MARCH 1-2 COUNCIL MEETING.

3. ITALY OBJECTS TO COVERAGE: OUR SOURCES TELL US THAT BECAUSE OF ITALIAN PERMDEL BOMBASSEI'S IMMINENT DEPARTURE, COREPER WILL HAVE A SPECIAL MEETING ON FEBRUARY 10 TO TAKE UP ITALIAN OBJECTIONS TO THE PRODUCT COVERAGE OF THE COMMISSION PROPOSAL. ITALY MAINTAINS THAT A NUMBER OF NON-TROPICAL, AGRICULTURAL AND INDUSTRIAL PRODUCTS ARE INCLUDED. ITALY, FOR THIS REASON, HAS PLACED A GENERAL RESERVE ON THE PROPOSED PRODUCT LIST. OTHER DELEGATIONS, WE ARE TOLD, ARE WILLING TO GO ALONG WITH THE GENERAL SCOPE OF THE PRODUCT LIST MAINLY BECAUSE, IF IT WERE RESTRICTED

TO ONLY TROPICAL AGRICULTURAL PRODUCTS, THE CONCESSIONS WOULD NOT BE SUFFICIENTLY MEANINGFUL TO THE LDCS. THE COMMISSION PROPOSAL WOULD COVER A TOTAL VOLUME OF TRADE OF 1.2 BILLION UNITS OF ACCOUNT (ABOUT \$1.44 BILLION).

4. OBJECTIONS TO TAX REDUCTIONS: THE GERMANS, DANES AND ITALIANS HAVE OBJECTED TO THE COMMISSION'S PROPOSED REDUCTION IN MEMBER STATE DOMESTIC TAXES ON SELECTED PRODUCTS. OUR SOURCES INDICATED THE PROPOSED TAX CUTS FOR TEA, COFFEE, BANANAS, COCOA, SPICES, PALM OIL AND OTHER TROPICAL VEGETABLE OILS WOULD CREATE PROBLEMS FOR THESE COUNTRIES BECAUSE THESE TAXES ARE AN IMPORTANT REVENUE SOURCE. DEMAND IS FAIRLY INELASTIC FOR MANY OF THESE PRODUCTS. THESE COUNTRIES CONSEQUENTLY MAINTAIN THAT THESE TAX REDUCTIONS WOULD NOT APPRECIABLY INCREASE EC IMPORTS OF THE PRODUCTS.

5. CONSULTATIONS WITH ACPs: THE FRENCH HAVE ASKED THAT BEFORE A COUNCIL DECISION, THE LOME CONVENTION COUNTRIES, I.E., THE 46 ACP COUNTRIES BE CONSULTED ON THE PROPOSALS. OUR SOURCE INTERPRETS THIS REQUEST AS A PLOY TO BRING PRESSURE ON THE EC TO REDUCE THE COVERAGE OF ITS PRODUCT LIST. THE ACP COUNTRIES HAVE ALREADY RECEIVED PREFERENTIAL CONCESSIONS AND WOULD LIKELY OPPOSE GENERALIZING THEM FOR ALL LDCS. THE MEMBER STATES CAN GENERALLY GO ALONG WITH LIMITED OFFICIAL USE

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THE PROPOSED REDUCTIONS OF MEMBER STATE QUOTA RESTRICTIONS, EXCEPT FOR THOSE ON HONEY.

6. SLOW PROGRESS: THE 113 COMMITTEE MEETINGS ON THE PROPOSAL INDICATE THAT INTENSIVE NEGOTIATIONS WILL BE REQUIRED BEFORE AN AGREEMENT CAN BE REACHED. OF THE 104 SPECIFIC TARIFF ITEMS LISTED, ONE OR MORE MEMBER STATES OBJECT TO 27 ITEMS. MEMBER STATES ALSO HAVE RESERVATIONS

ON 49 ITEMS. AS OF FEB. 5, THERE IS AGREEMENT SO FAR ON ONLY  
34 ITEMS. THE TECHNICAL RESERVATIONS BY ONE OR MORE MEMBER  
STATES COVER NEARLY 80 PERCENT OF THE TRADE VOLME AFFECTED BY  
THE PROPOSAL. (THE MISSION HAS OBTAINED COPIES OF PAPERS  
CONCERNING THE MEMBER STATE COMMENTS TO THE PRODUCT LIST  
AND THE MAIN POINTS UNDER DISPUTE. THESE ARE BEING SENT  
TO RPE-MCCARTHY AND MTN GENEVA.) MORRIS

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## Message Attributes

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